



VILLAGE OF BYRON  
Shiawassee County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended February 28, 2005

18-3020

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Village of Byron	<b>County</b> Shiawassee
<b>Audit Date</b> February 28, 2005	<b>Opinion Date</b> March 15, 2005	<b>Date Accountant Report Submitted to State:</b> April 29, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.			

VILLAGE OF BYRON  
Shiawassee County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100  
P.O. BOX 686  
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494

## INDEPENDENT AUDITOR'S REPORT

March 15, 2005

To the Village Council  
Village of Byron  
Shiawassee County, Michigan

We have audited the accompanying financial statements of the governmental activities, business type activities and each major fund of Village of Byron, Shiawassee County, Michigan as of and for the year ended February 28, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Byron's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities and each major fund of the Village of Byron, Shiawassee County, Michigan as of February 28, 2005, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of March 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Village's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

VILLAGE OF BYRON  
Shiawassee County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended February 28, 2005

The Management's Discussion and Analysis report of the Village of Byron covers the Village's financial performance during the year ended February 28, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at February 28, 2005, totaled \$442,331.00 for governmental activities and \$974,456.46 for business activities. Overall total capital assets remained approximately the same.

Overall revenues were \$382,11.57 (\$278,849.93 from governmental activities and \$103,361.64 from business-type activities). Governmental activities had a \$13,664.71 decrease in net assets. Business-type activities had a decrease in net assets of \$38,937.83.

Taxable value increased by approximately \$436,218.00.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Village and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Village in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Village as a whole using accounting methods used by private companies. The statement of net assets includes all of the Village's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

VILLAGE OF BYRON  
Shiawassee County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended February 28, 2005

All of the activities of the Village are reported as governmental activities and business-type activities. These include the General Fund, the Major Street Fund, the Local Street Fund, the Cemetery Perpetual Care Fund, the Water Fund and the Sewer Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Village's funds, focusing on significant (major) funds not the Village as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Village Council also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Village has the following types of funds:

Governmental Funds: Some of the Village's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Village's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Village's governmental funds include the General Fund, the Major Street Fund, the Local Street Fund, and the Cemetery Perpetual Care Fund.

Business Type Funds: The Village has a Water Fund and a Sewer Fund which includes the activity of providing water and sewer to Village residents.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Our cash position in both the governmental and business-type activities remain strong.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

The General Fund had an increase in fund balance of \$35,328.65. The Major Street Fund had a decrease in fund balance of \$40,754.43. The Local Street Fund had an increase in fund balance of \$1,437.04. The Cemetery Perpetual Care Fund had an increase in fund balance of \$1,554.51.

The Water Fund had a decrease in net assets of \$38,811.42 and the Sewer Fund had a decrease in net assets of \$126.41.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Village's governmental activities invested \$0 in capital assets.  
The Village's business-type activities invested \$0 in capital assets.  
The Village's governmental activities paid \$859.52 of principal on long-term debt.  
The Village's business-type activities paid \$0 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE VILLAGE'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, investors and customers with a general overview of the Village's finances and to demonstrate the Village's accountability for the revenues it receives. If you have any questions concerning this report please contact the Village Clerk or Village Treasurer at 810-266-4386 or 810-266-4610.

VILLAGE OF BYRON  
Shiawassee County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
February 28, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS:			
Cash in bank	8 247 00	-	8 247 00
Investments	401 922 57	666 113 09	1 068 035 66
Accounts receivable	-	13 912 90	13 912 90
Total Current Assets	<u>410 169 57</u>	<u>680 025 99</u>	<u>1 090 195 56</u>
NONCURRENT ASSETS:			
Capital Assets	171 077 00	1 032 089 79	1 203 166 79
Less: Accumulated Depreciation	<u>(129 369 00)</u>	<u>(737 659 32)</u>	<u>(867 028 32)</u>
Total Noncurrent Assets	<u>41 708 00</u>	<u>294 430 47</u>	<u>336 138 47</u>
TOTAL ASSETS	<u><u>451 877 57</u></u>	<u><u>974 456 46</u></u>	<u><u>1 426 334 03</u></u>
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	<u>504 25</u>	-	<u>504 25</u>
Total Current Liabilities	<u>504 25</u>	-	<u>504 25</u>
NONCURRENT LIABILITIES:			
Accrued compensated absences	<u>9 042 32</u>	-	<u>9 042 32</u>
Total Noncurrent Liabilities	<u>9 042 32</u>	-	<u>9 042 32</u>
Total Liabilities	<u>9 546 57</u>	-	<u>9 546 57</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	41 708 00	294 430 47	336 138 47
Restricted	50 952 47	-	50 952 47
Unrestricted	<u>349 670 53</u>	<u>680 025 99</u>	<u>1 029 696 52</u>
Total Net Assets	<u>442 331 00</u>	<u>974 456 46</u>	<u>1 416 787 46</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>451 877 57</u></u>	<u><u>974 456 46</u></u>	<u><u>1 426 334 03</u></u>

The accompanying notes are an integral part of these financial statements.



VILLAGE OF BYRON  
Shiawassee County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended February 28, 2005

	<u>Expenses</u>	<u>Program Revenue</u>  <u>Charges for Services</u>	<u>Governmental Activities</u> <u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in Net</u> <u>Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	3 310 00	-	(3 310 00)
General government	66 426 84	21 829 52	(44 597 32)
Public safety	35 664 52	5 762 55	(29 901 97)
Public works	178 674 85	-	(178 674 85)
Recreation and culture	8 438 43	-	(8 438 43)
Total Governmental Activities	<u>292 514 64</u>	<u>27 592 07</u>	<u>(264 922 57)</u>
Business Type Activities:			
Water and sewer	<u>142 299 47</u>	<u>95 758 23</u>	<u>-</u>
Total Business Type Activities	<u>142 299 47</u>	<u>95 758 23</u>	<u>-</u>
Total Government	<u><u>434 814 11</u></u>	<u><u>123 350 30</u></u>	<u><u>(264 922 57)</u></u>
General Revenues:			
Property taxes			88 691 51
State revenue sharing			113 993 40
Interest			4 616 80
Miscellaneous			<u>43 956 15</u>
Total General Revenues			<u>251 257 86</u>
Change in net assets			(13 664 71)
Net assets, beginning of year			<u>455 995 71</u>
Net Assets, End of Year			<u><u>442 331 00</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Business Type Activities</u>	<u>Total</u>
<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
-	(3 310 00)
-	(44 597 32)
-	(29 901 97)
-	(178 674 85)
-	(8 438 43)
-	(264 922 57)
<u>(46 541 24)</u>	<u>(46 541 24)</u>
<u>(46 541 24)</u>	<u>(46 541 24)</u>
<u>(46 541 24)</u>	<u>(311 463 81)</u>
-	88 691 51
-	113 993 40
7 603 41	12 220 21
-	43 956 15
<u>7 603 41</u>	<u>258 861 27</u>
(38 937 83)	(52 602 54)
<u>1 013 394 29</u>	<u>1 469 390 00</u>
<u>974 456 46</u>	<u>1 416 787 46</u>

VILLAGE OF BYRON  
Shiawassee County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
February 28, 2005

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Cemetery Perpetual Care</u>
<u>Assets</u>				
Cash in bank	8 247 00	-	-	-
Investments	<u>202 904 31</u>	<u>34 724 45</u>	<u>113 341 34</u>	<u>50 952 47</u>
Total Assets	<u>211 151 31</u>	<u>34 724 45</u>	<u>113 341 34</u>	<u>50 952 47</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	<u>504 25</u>	-	-	-
Total liabilities	<u>504 25</u>	-	-	-
Fund equity:				
Fund balances:				
Reserved	-	-	-	50 952 47
Unreserved:				
Undesignated	<u>210 647 06</u>	<u>34 724 45</u>	<u>113 341 34</u>	-
Total fund equity	<u>210 647 06</u>	<u>34 724 45</u>	<u>113 341 34</u>	<u>50 952 47</u>
Total Liabilities and Fund Equity	<u>211 151 31</u>	<u>34 724 45</u>	<u>113 341 34</u>	<u>50 952 47</u>

The accompanying notes are an integral part of these financial statements.

Total

8 247 00

401 922 57

410 169 57

504 25

504 25

50 952 47

358 712 85

409 665 32

410 169 57

VILLAGE OF BYRON  
Shiawassee County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
February 28, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	409 665 32
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	171 077 00
Accumulated depreciation	(129 369 00)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Accrued compensated absences	<u>(9 042 32)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>442 331 00</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BYRON  
Shiawassee County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS

Year ended February 28, 2005

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Cemetery Perpetual Care</u>
Revenues:				
Property taxes	70 343 02	-	18 348 49	-
Licenses and permits	4 733 75	-	-	-
State revenue sharing	62 443 18	39 145 52	12 404 70	-
Charges for services:				
Cemetery lots	3 000 00	-	-	1 000 00
Grave openings	5 562 20	-	-	-
Tax collection	1 433 57	-	-	-
Other	7 000 00	-	-	-
Fines and forfeits:				
Police fines	4 862 55	-	-	-
Interest	2 046 20	718 69	1 297 40	554 51
Rents	315 04	-	-	-
Miscellaneous	<u>43 641 11</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>205 380 62</u>	<u>39 864 21</u>	<u>32 050 59</u>	<u>1 554 51</u>
Expenditures:				
Legislative:				
Village Council	3 310 00	-	-	-
General government:				
Elections	418 30	-	-	-
Clerk	2 977 55	-	-	-
Treasurer	1 284 60	-	-	-
Village hall and grounds	49 550 23	-	-	-
Cemetery	12 096 16	-	-	-
Public safety:				
Police protection	34 862 52	-	-	-
Zoning	802 00	-	-	-
Public works:				
Department of Public Works	27 791 84	-	-	-
Highways and streets	-	80 618 64	30 613 55	-
Street lighting	8 312 10	-	-	-
Sanitation	20 208 24	-	-	-
Other:				
Employee fringe benefits	<u>8 438 43</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>170 051 97</u>	<u>80 618 64</u>	<u>30 613 55</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	35 328 65	(40 754 43)	1 437 04	1 554 51
Fund balances, March 1	<u>175 318 41</u>	<u>75 478 88</u>	<u>111 904 30</u>	<u>49 397 96</u>
Fund Balances, February 28	<u><u>210 647 06</u></u>	<u><u>34 724 45</u></u>	<u><u>113 341 34</u></u>	<u><u>50 952 47</u></u>

The accompanying notes are an integral part of these financial statements.

Total

88 691 51  
4 733 75  
113 993 40

4 000 00  
5 562 20  
1 433 57  
7 000 00

4 862 55  
4 616 80  
315 04  
43 641 11

278 849 93

3 310 00

418 30  
2 977 55  
1 284 60  
49 550 23  
12 096 16

34 862 52  
802 00

27 791 84  
111 232 19  
8 312 10  
20 208 24

8 438 43

281 284 16

(2 434 23)

412 099 55

409 665 32

VILLAGE OF BYRON  
Shiawassee County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended February 28, 2005

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (2 434 23)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense (12 090 00)  
Capital Outlay -

Repayment of debt principal is an expenditure in the governmental funds, the  
repayment does not have an effect in the statement of activities but does  
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt 859 52

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (13 664 71)

The accompanying notes are an integral part of these financial statements.



VILLAGE OF BYRON  
Shiawassee County, Michigan

STATEMENT OF NET ASSETS – BUSINESS TYPE FUNDS  
February 28, 2005

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS:			
Investments	595 427 44	70 685 65	666 113 09
Accounts receivable	<u>10 611 74</u>	<u>3 301 16</u>	<u>13 912 90</u>
Total Current Assets	<u>606 039 18</u>	<u>73 986 81</u>	<u>680 025 99</u>
NONCURRENT ASSETS:			
Capital Assets	807 050 39	225 039 40	1 032 089 79
Less: Accumulated Depreciation	<u>(536 186 93)</u>	<u>(201 472 39)</u>	<u>(737 659 32)</u>
Total Noncurrent Assets	<u>270 863 46</u>	<u>23 567 01</u>	<u>294 430 47</u>
TOTAL ASSETS	<u><u>876 902 64</u></u>	<u><u>97 553 82</u></u>	<u><u>974 456 46</u></u>
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	270 863 46	23 567 01	294 430 47
Unrestricted	<u>606 039 18</u>	<u>73 986 81</u>	<u>680 025 99</u>
Total Net Assets	<u>876 902 64</u>	<u>97 553 82</u>	<u>974 456 46</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>876 902 64</u></u>	<u><u>97 553 82</u></u>	<u><u>974 456 46</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BYRON  
Shiawassee County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS –  
BUSINESS TYPE FUNDS  
Year ended February 28, 2005

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for Services:			
Service charges	71 513 33	22 564 90	94 078 23
Hydrant tax	-	1 680 00	1 680 00
Total Operating Revenues	<u>71 513 33</u>	<u>24 244 90</u>	<u>95 758 23</u>
OPERATING EXPENSES:			
Salaries and wages	22 839 12	9 532 54	32 371 66
Administration fees	3 000 00	1 000 00	4 000 00
Operating supplies	3 159 54	4 574 57	7 734 11
Professional services	2 200 00	36 906 25	39 106 25
Insurance	2 000 00	1 500 00	3 500 00
Utilities	2 076 57	2 166 24	4 242 81
Repairs and maintenance	<u>21 497 84</u>	<u>1 790 00</u>	<u>23 287 84</u>
Total Operating Expenses	<u>56 773 07</u>	<u>57 469 60</u>	<u>114 242 67</u>
Operating Income (loss) before depreciation	14 740 26	(33 224 70)	(18 484 44)
Less: depreciation	<u>(21 353 72)</u>	<u>(6 703 08)</u>	<u>(28 056 80)</u>
Operating income (loss)	<u>(6 613 46)</u>	<u>(39 927 78)</u>	<u>(46 541 24)</u>
NONOPERATING REVENUES (EXPENSES):			
Interest income	<u>6 487 05</u>	<u>1 116 36</u>	<u>7 603 41</u>
Total Nonoperating Expenses	<u>6 487 05</u>	<u>1 116 36</u>	<u>7 603 41</u>
Change in net assets	(126 41)	(38 811 42)	(38 937 83)
Net assets, beginning of year	<u>877 029 05</u>	<u>136 365 24</u>	<u>1 013 394 29</u>
Net Assets, End of Year	<u><u>876 902 64</u></u>	<u><u>97 553 82</u></u>	<u><u>974 456 46</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BYRON  
Shiawassee County, Michigan

STATEMENT OF CASH FLOWS – BUSINESS TYPE FUNDS  
Year ended February 28, 2005

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	71 764 14	24 375 79	96 139 93
Cash payments to suppliers for goods and services	(33 933 95)	(47 937 06)	(81 871 01)
Cash payments to employees for Services	<u>(22 839 12)</u>	<u>(9 532 54)</u>	<u>(32 371 66)</u>
Net cash provided (used) by operating activities	<u>14 991 07</u>	<u>(33 093 81)</u>	<u>(18 102 74)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest income	<u>6 487 05</u>	<u>1 116 36</u>	<u>7 603 41</u>
Net cash provided (used) by operating activities	<u>6 487 05</u>	<u>1 116 36</u>	<u>7 603 41</u>
Net increase (decrease) in cash	21 478 12	(31 977 45)	(10 499 33)
Cash beginning of year	<u>573 949 32</u>	<u>102 663 10</u>	<u>676 612 42</u>
Cash End of Year	<u><u>595 427 44</u></u>	<u><u>70 685 65</u></u>	<u><u>666 113 09</u></u>
<b>RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO     NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Income (loss) from operations	(6 613 46)	(39 927 78)	(46 541 24)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:			
Depreciation	21 353 72	6 703 08	28 056 80
(Increase) decrease in receivables	<u>250 81</u>	<u>130 89</u>	<u>381 70</u>
Net Cash Provided (Used) in Operating Activities	<u><u>14 991 07</u></u>	<u><u>(33 093 81)</u></u>	<u><u>(18 102 74)</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BYRON  
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS  
February 28, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Village of Byron, Shiawassee County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Village contain all the Village funds that are controlled by or dependent on the Village's executive or legislative branches.

The reporting entity is the Village of Byron. The Village is governed by an elected Village Council. As required by generally accepted accounting principles, these financial statements present the Village as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

VILLAGE OF BYRON  
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS  
February 28, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Permanent Fund

The Cemetery Perpetual Care Fund is used to account for assets that are legally restricted.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise funds are charges to customers for services. The enterprise funds also recognize as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Village. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

VILLAGE OF BYRON  
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS  
February 28, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on September 15. The Village 2004 tax roll millage rate was 10.879 mills, and the taxable value was \$8,469,724.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Village as assets with an initial cost of more than \$2,500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	50 years
Furniture and equipment	5-20 years

Compensated Absences (Vacation and Sick Leave)

The liability for vacation and sick leave benefits attributable to the Village are recorded as an expenditure and liability in the respective funds. Employees may accumulate an unlimited number of days of vacation leave and are paid for unused sick leave upon termination of employment.

Post-employment Benefits

The Village provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

VILLAGE OF BYRON  
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS  
February 28, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Accounting Change

Effective March 1, 2004, the Village implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Village's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Village's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Village's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$41,708.00.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Village Council for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Village Council.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Village Council.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Village Council during the fiscal year.

VILLAGE OF BYRON  
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS  
February 28, 2005

**Note 3 – Deposits and Investments**

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village Council has designated one bank for the deposit of Village funds. The investment policy adopted by the council in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Village's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>8 247 00</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	8 247 00
Uninsured and Uncollateralized	-
Total Deposits	<u>8 247 00</u>

The Village's investments are categorized below to give an indication of the level of risk assumed by the Village. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Village or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Village's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Village's name. The GASB Statement No. 3 risk disclosures for the Village's investments are categorized as follows:

<u>Investment Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
Risk-Categorized: Operating Funds	-	-	-	-
Total Risk-Categorized Investments	-	-	-	-



VILLAGE OF BYRON  
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS  
February 28, 2005

Note 3 – Deposits and Investments (continued)

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
Nonrisk-Categorized: Financial Institution Pooled Funds				<u>1 068 035 66</u>
Total Investments				<u>1 068 035 66</u>

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Note 4 – Capital Assets

Capital asset activity of the Village's Governmental and Business Type activities for the current year was as follows:

	<u>Balance 3/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2/28/05</u>
<u>Governmental Activities:</u>				
Buildings	5 800 00	-	-	5 800 00
Equipment	<u>165 277 00</u>	<u>-</u>	<u>-</u>	<u>165 277 00</u>
Total	171 077 00	-	-	171 077 00
Accumulated Depreciation	<u>(117 279 00)</u>	<u>(12 090 00)</u>	<u>-</u>	<u>(129 369 00)</u>
Net Governmental Capital Assets	<u>53 798 00</u>	<u>(12 090 00)</u>	<u>-</u>	<u>41 708 00</u>
<u>Business Type Activities:</u>				
Water and Sewer Systems	1 032 089 79	-	-	1 032 089 79
Accumulated Depreciation	<u>(709 602 52)</u>	<u>(28 056 80)</u>	<u>-</u>	<u>(737 659 32)</u>
Net Business Type Capital Assets	<u>322 487 27</u>	<u>(28 056 80)</u>	<u>-</u>	<u>294 430 47</u>

Note 5 – Deferred Compensation Plan

The Village does not have a deferred compensation plan.

Note 6 – Pension Plan

The Village does not have a pension plan.

VILLAGE OF BYRON  
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS  
February 28, 2005

**Note 7 – Changes in Long-Term Debt**

A summary of changes in long-term debt follows:

	<u>Balance 3/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 2/28/05</u>
Accumulated Unpaid Benefits	<u>9 901 84</u>	<u>-</u>	<u>859 52</u>	<u>9 042 32</u>

**Note 8 – Risk Management**

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Village has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 9 – Building Permits**

As of February 28, 2005, the Village had building permit revenues of \$900.00 and building permit expenses of \$802.00.

**Note 10 – Segment Information for Enterprise Funds**

The Village maintains two Enterprise Funds which provide sewer and water services. Segment information for the year ended February 28, 2005, is as follows:

	<u>Sewer Fund</u>	<u>Water Fund</u>
Operating revenues	71 513 33	24 244 90
Depreciation expense	21 353 72	6 703 08
Net income (loss)	(126 41)	(38 811 42)
Net working capital	606 039 18	73 685 65
Net assets	876 902 64	97 553 82

VILLAGE OF BYRON  
Shiawassee County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended February 28, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	68 000 00	70 000 00	70 343 02	343 02
Licenses and permits	4 544 00	3 811 00	4 733 75	922 75
State revenue sharing	46 650 00	63 165 00	62 443 18	(721 82)
Charges for services:				
Cemetery lots	3 300 00	3 300 00	3 000 00	(300 00)
Grave openings	5 000 00	5 000 00	5 562 20	562 20
Tax collection	1 025 00	1 400 00	1 433 57	33 57
Other	7 000 00	7 000 00	7 000 00	-
Fines and forfeits:				
Police fines	2 500 00	5 131 00	4 862 55	(268 45)
Interest	11 176 00	2 000 00	2 046 20	46 20
Rents	360 00	315 00	315 04	04
Miscellaneous	3 000 00	3 000 00	43 641 11	40 641 11
Total revenues	<u>152 555 00</u>	<u>164 122 00</u>	<u>205 380 62</u>	<u>41 258 62</u>
Expenditures:				
Legislative:				
Village Council	5 880 00	4 212 00	3 310 00	(902 00)
General government:				
Elections	270 00	450 00	418 30	(31 70)
Clerk	6 648 00	2 988 00	2 977 55	(10 45)
Treasurer	1 376 00	1 286 00	1 284 60	(1 40)
Building and grounds	55 445 00	92 609 00	49 550 23	(43 058 77)
Cemetery	17 976 00	17 976 00	12 096 16	(5 879 84)
Public safety:				
Police protection	42 750 00	35 385 00	34 862 52	(522 48)
Zoning	1 500 00	802 00	802 00	-
Public works:				
Department of Public Works	34 200 00	29 850 00	27 791 84	(2 058 16)
Street lighting	9 000 00	8 320 00	8 312 10	(7 90)
Sanitation	20 000 00	20 210 00	20 208 24	(1 76)
Other:				
Employee fringe benefits	6 300 00	8 500 00	8 438 43	(61 57)
Total expenditures	<u>201 345 00</u>	<u>222 588 00</u>	<u>170 051 97</u>	<u>(52 536 03)</u>
Excess (deficiency) of revenues over expenditures	(48 790 00)	(58 466 00)	35 328 65	93 794 65
Fund balance, March 1	<u>48 790 00</u>	<u>58 466 00</u>	<u>175 318 41</u>	<u>116 852 41</u>
Fund Balance, February 28	<u>-</u>	<u>-</u>	<u>210 647 06</u>	<u>210 647 06</u>

VILLAGE OF BYRON  
Shiawassee County, Michigan

BUDGETARY COMPARISON SCHEDULE – MAJOR STREET FUND  
Year ended February 28, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
State revenue sharing	34 000 00	39 000 00	39 145 52	145 52
Interest	<u>400 00</u>	<u>700 00</u>	<u>718 69</u>	<u>18 69</u>
Total revenues	<u>34 400 00</u>	<u>39 700 00</u>	<u>39 864 21</u>	<u>164 21</u>
Expenditures:				
Public works:				
Highways and streets	<u>13 650 00</u>	<u>80 665 00</u>	<u>80 618 64</u>	<u>(46 36)</u>
Total expenditures	<u>13 650 00</u>	<u>80 665 00</u>	<u>80 618 64</u>	<u>(46 36)</u>
Excess (deficiency) of revenues over expenditures	20 750 00	(40 965 00)	(40 754 43)	210 57
Fund balance, March 1	<u>-</u>	<u>40 965 00</u>	<u>75 478 88</u>	<u>34 513 88</u>
Fund Balance, February 28	<u><u>20 750 00</u></u>	<u><u>-</u></u>	<u><u>34 724 45</u></u>	<u><u>34 724 45</u></u>

VILLAGE OF BYRON  
Shiawassee County, Michigan

BUDGETARY COMPARISON SCHEDULE – LOCAL STREET FUND  
Year ended February 28, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	17 750 00	18 348 00	18 348 49	49
State revenue sharing	11 500 00	12 405 00	12 404 70	(30)
Interest	750 00	1 300 00	1 297 40	(2 60)
Total revenues	<u>30 000 00</u>	<u>32 053 00</u>	<u>32 050 59</u>	<u>(2 41)</u>
Expenditures:				
Public works:				
Highways and streets	<u>8 900 00</u>	<u>31 035 00</u>	<u>30 613 55</u>	<u>(421 45)</u>
Total expenditures	<u>8 900 00</u>	<u>31 035 00</u>	<u>30 613 55</u>	<u>(421 45)</u>
Excess of revenues over expenditures	21 100 00	1 018 00	1 437 04	419 04
Fund balance, March 1	<u>-</u>	<u>-</u>	<u>111 904 30</u>	<u>111 904 30</u>
Fund Balance, February 28	<u>21 100 00</u>	<u>1 018 00</u>	<u>113 341 34</u>	<u>112 323 34</u>

VILLAGE OF BYRON  
Shiawassee County, Michigan

BUDGETARY COMPARISON SCHEDULE – CEMETERY PERPETUAL CARE FUND  
Year ended February 28, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Cemetery lots	1 500 00	1 500 00	1 000 00	(500 00)
Interest	300 00	300 00	554 51	254 51
Total revenues	<u>1 800 00</u>	<u>1 800 00</u>	<u>1 554 51</u>	<u>(245 49)</u>
Expenditures:				
General government:				
Cemetery	<u>9 676 00</u>	<u>9 676 00</u>	<u>-</u>	<u>(9 676 00)</u>
Total expenditures	<u>9 676 00</u>	<u>9 676 00</u>	<u>-</u>	<u>(9 676 00)</u>
Excess (deficiency) of revenues over expenditures	(7 876 00)	(7 876 00)	1 554 51	9 430 51
Fund balance, March 1	<u>7 876 00</u>	<u>7 876 00</u>	<u>49 397 96</u>	<u>41 521 96</u>
Fund Balance, February 28	<u>-</u>	<u>-</u>	<u>50 952 47</u>	<u>50 952 47</u>

VILLAGE OF BYRON  
Shiawassee County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended February 28, 2005

Village Council:	
Fees and per diem	3 310 00
Elections:	
Wages	356 80
Supplies	61 50
	418 30
Clerk:	
Salary	1 896 60
Office supplies	786 39
Telephone	94 56
Insurance	200 00
	2 977 55
Treasurer:	
Salary	825 60
Office supplies	259 00
Insurance	200 00
	1 284 60
Village hall and grounds:	
Wages	26 677 70
Hospitalization	19 247 72
Utilities	2 603 81
Contracted services	1 021 00
	49 550 23
Cemetery:	
Salaries and wages	9 995 44
Operating supplies	1 061 00
Insurance	500 00
Miscellaneous	539 72
	12 096 16
Police protection:	
Salaries and wages	21 236 16
Operating supplies	2 332 10
Professional services	2 567 25
Telephone	750 52
Gas and oil	2 462 74
Insurance	2 750 00
Repairs and maintenance	2 763 75
	34 862 52
Zoning:	
Contracted services	802 00
Department of Public Works:	
Operating supplies	17 142 65
Gas and oil	3 559 57
Telephone	661 27
Insurance	4 856 00
Repairs and maintenance	839 72
Printing and publishing	136 63
Miscellaneous	596 00
	27 791 84
Street lighting:	
Utilities	8 312 10

VILLAGE OF BYRON  
Shiawassee County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended February 28, 2005

Sanitation:	
Contracted services	<u>20 208 24</u>
Employee fringe benefits:	
Unemployment	623 66
Social security	<u>7 814 77</u>
	<u>8 438 43</u>
Total Expenditures	<u><u>170 051 97</u></u>



VILLAGE OF BYRON  
Shiawassee County, Michigan

COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS  
February 28, 2005

	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
<u>Assets</u>			
Investments	<u>34 724 45</u>	<u>113 341 34</u>	<u>148 065 79</u>
Total Assets	<u>34 724 45</u>	<u>113 341 34</u>	<u>148 065 79</u>
<u>Liabilities and Fund Balances</u>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Unreserved:			
Undesignated	<u>34 724 45</u>	<u>113 341 34</u>	<u>148 065 79</u>
Total Liabilities and Fund Balances	<u>34 724 45</u>	<u>113 341 34</u>	<u>148 065 79</u>

VILLAGE OF BYRON  
Shiawassee County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS  
Year ended February 28, 2005

	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
Revenues:			
Property taxes	-	18 348 49	18 348 49
State revenue sharing	39 145 52	12 404 70	51 550 22
Interest	<u>718 69</u>	<u>1 297 40</u>	<u>2 016 09</u>
Total revenues	<u>39 864 21</u>	<u>32 050 59</u>	<u>71 914 80</u>
Expenditures – Public Works:			
Highways and streets:			
Construction	49 693 03	12 736 02	62 429 05
Routine maintenance:			
Salaries and wages	5 356 81	3 183 57	8 540 38
Operating supplies	668 41	759 74	1 428 15
Traffic signs	1 828 36	1 529 12	3 357 48
Repairs and maintenance	6 335 74	6 426 17	12 761 91
Snow removal	1 730 67	1 466 56	3 197 23
Professional services	14 005 62	3 512 37	17 517 99
Insurance	<u>1 000 00</u>	<u>1 000 00</u>	<u>2 000 00</u>
Total expenditures	<u>80 618 64</u>	<u>30 613 55</u>	<u>111 232 19</u>
Excess (deficiency) of revenues over expenditures	(40 754 43)	1 437 04	(39 317 39)
Fund balances, March 1	<u>75 478 88</u>	<u>111 904 30</u>	<u>187 383 18</u>
Fund Balances, February 28	<u><u>34 724 45</u></u>	<u><u>113 341 34</u></u>	<u><u>148 065 79</u></u>

VILLAGE OF BYRON  
Shiawassee County, Michigan

BALANCE SHEET - PERMANENT FUND  
February 28, 2005

	<u>Cemetery Perpetual Care</u>
<u>Assets</u>	
Investments	<u>50 952 47</u>
Total Assets	<u>50 952 47</u>
<u>Liabilities and Fund Balances</u>	
Liabilities	<u>-</u>
Fund balances: Reserved	<u>50 952 47</u>
Total Liabilities and Fund Balances	<u>50 952 47</u>

VILLAGE OF BYRON  
Shiawassee County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – PERMANENT FUND  
Year ended February 28, 2005

	<u>Cemetery Perpetual Care</u>
Revenues:	
Charges for services	1 000 00
Interest	<u>554 51</u>
Total revenues	<u>1 554 51</u>
Expenditures – Cemetery	<u>-</u>
Excess of revenues over expenditures	1 554 51
Fund balance, March 1	<u>49 397 96</u>
Fund Balance, February 28	<u><u>50 952 47</u></u>

# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100  
P.O. BOX 686  
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494

## AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

March 15, 2005

To the Village Council  
Village of Byron  
Shiawassee County, Michigan

We have audited the financial statements of the Village of Byron for the year ended February 28, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Village of Byron in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Village Council  
Village of Byron  
Shiawassee County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended February 28, 2005. The implementation of this pronouncement for the Village of Byron began with the year ended February 28, 2005. The daily operations and recording transactions did not change significantly, however, the Village is required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Village's financial statements and this communication of these matters does not affect our report on the Village's financial statements, dated February 28, 2005.

To the Village Council  
Village of Byron  
Shiawassee County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants